

# MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

## DIVISION OF CREDIT UNIONS

### NEWSLETTER

Volume 3, Number 4

May 2, 2001

#### FIELD OF MEMBERSHIP APPLICATION UPDATE

**Springfield Telephone Employees Credit Union** submitted an application to include those persons who reside or work in the 417 telephone Area Code and the 573 (bordered on the north by I-70) telephone Area Code. **South Community Credit Union** submitted an application for those who work or reside in Zip Codes 63109, 63111, 63116, 63123, 63125, 63128, 63129, and Crawford County, Franklin County, Gasconade County and Washington County. **Central Communications Credit Union** submitted an application for those persons who reside or work in the 816 telephone Area Code. The Director approved the expansion of **Springfield Telephone Employees Credit Union** to those in the 417 Area Code, but not the 573 Area Code. **South Community** and **Central Communications'** applications were approved without change. These decisions were published in the November 15, 2000 Missouri Register. On November 30, 2000 the Missouri Bankers Association and a local bank (located in each of the three applicants' field of membership expansion areas) filed appeals of the decisions to the Credit Union Commission. The Commission heard the appeal of the **Springfield Telephone Employees Credit Union** decision on March 29, 2001. A decision is expected on May 24, 2001. The Commission has scheduled a hearing on May 24, 2001 at 1:00 PM for **South Community Credit Union** and at 3:00 PM for **Central Communications Credit Union**.

**Gateway Metro Credit Union** submitted an application for those living or working in the Missouri counties of St. Louis, St. Charles and Jefferson. **Educational Employees Credit Union** submitted an application for those who live or work in St. Louis County, St. Charles County, Jefferson County, Cape Girardeau County and Franklin County. These applications were

published in the December 15, 2000 Missouri Register. The Director approved the applications and his decision was published in the February 15, 2001 Missouri Register. On March 1, 2001 the Missouri Bankers Association and a local bank (located in two applicants' field of membership expansion areas) filed appeals of the decisions to the Credit Union Commission. The Commission will schedule a date to hear these appeals.

**Mazuma Credit Union** submitted an application for those who live or work in Clay County, Platt County and Jackson County. The application was published in the January 16, 2001 Missouri Register. The Director approved the application and the decision was published in the March 15, 2001 Missouri Register. On March 30, 2001 the Missouri Bankers Association and a local bank (located in the field of membership expansion area) filed an appeal of the decision to the Credit Union Commission. On May 5, 2001 Mazuma amended the application to Jackson County rendering the appeal moot. The application will be published in the May 15, 2001 Missouri Register. A ten business day period for comments must occur before the Director can act on the application.

**Glass Workers Credit Union** submitted an application for those persons living or working in Jefferson County and Ste. Genevieve County and family members and organizations of such persons. **Alliance Credit Union** submitted an application for those who work or reside in Zip Codes 63304, 63366, and 63367. The applications were published in the April 2, 2001 Missouri Register. The Director approved the applications and the decisions will be published in the June 1, 2001 Missouri Register. A fifteen business day period for potential appeal of the decision must occur before the decision is final.

#### CREDIT UNION COMMISSION MEETS

The Credit Union Commission met by conference call on April 30, 2001. Commission members in attendance were Pat Yokley, Bill Humpfer, Sharon Ichord, Cathy Stroud, Lori Levine, John Hanneke, and Pat Macdonald. Others attending were, Peggy Nalls, Missouri Credit Union System, Judy Hadsall and Gary Holmes, City Utilities Credit Union, Becky Kilpatrick, and Mike Bushman, Department of Economic Development, Zurett Merridith and John P. Smith, Division of Credit Unions, and Christy Kincannon, Attorney General's Office.

The Commission approved the minutes of the February 16, 2001 meeting.

The Commission reviewed the field of membership expansion applications submitted by **City Utilities Credit Union**. More than 3,000 potential members exist within the group. The Commission exempted the group from the limitations on groups.

The next regular scheduled meeting of the Commission is May 24, 2001. The Commission will hold their regular meeting at 10:30 AM followed by hearing the appeal of the Director's decision to approve the field of membership expansion for **South Community Credit Union** at 1:00 PM followed by the **Central Communications** hearing at 3:00 P.M. The meetings will be held in Room 500, Harry S Truman Office Building.

## PROPOSED RULE AMENDMENTS

The Director with the approval of the Credit Union Commission promulgates credit union rules to implement Missouri credit union law. The Division is in the process of reviewing all rules, revising those that need updating. Amended rules can be found at the Division's internet site <http://www.ecodev.state.mo.us/cu/> **after the effective date**. Rules currently being revised are:

### 4 CSR 100-2.045 Member Business Loans

A new rule establishing standards for member business lending. Effective date: May 30, 2001.

### 4 CSR 100-2.220 External Deposits

An amended rule clarifying amount allowed and reporting requirements for external deposits. Effective date for amended rule: May 30, 2001.

### 4 CSR 100-2.185 Fixed Assets

An amended rule defining fixed assets as land and buildings and retaining the limitation of 5%. Credit unions can apply to the Director if need exists to exceed the 5% limitation. Effective date for amended rule: June 30, 2001.

### 4 CSR 100-2.060 Delinquent Loan and Extension Agreements Reporting Procedures

An amended rule simplifying delinquent loan and extension agreement reporting procedures. Amended rule will be published in the Missouri Register on June 1, 2001 for a 30-day comment period and is reprinted below. Comments should be directed to this office. Bold print are additions, bracketed italicized are deletions

#### PROPOSED AMENDMENT

4 CSR 100-2.060 *[Minimum Capital Requirements and]* Delinquent Loan **and Extension Agreements** Reporting Procedures. The director of the Division of Credit Unions proposes amending this rule by amending the title and the purpose, deleting current sections (1), (2), (4), and (5), amending and renumbering current section (9), and renumbering current sections (3), (6), (7), (8), (10), and (11).

*PURPOSE: This proposed amendment revises approved investment accounting procedures, eliminates a redundant minimum capital requirement, and clarifies requirements for reviewing delinquent loan schedules.*

*PURPOSE: This rule sets forth [certain minimum capital requirements as a percentage of delinquent loans. It further sets forth] reporting requirements [and provisions] for [write off of] delinquent loans and **extension agreements and establishes minimum standards for charging off loans.** [defines certain procedures of the director of the Division of Credit Unions regarding waiver actions.]*

*(1) [Market losses, at the time of sale, on securities or investments should be charged as current operating expenses. However, these losses may be considered contingent losses chargeable to the statutory reserve.*

*(2) Prior to the payment of dividends, the statutory reserve fund, the allowance for loan loss and the membership shares, in the aggregate, shall be equal to at least the sum of the amounts resulting from the application of the following percentages to the unpaid balances of the delinquent loans: two to six (2--6) months delinquent-- twenty-five percent (25%); six to twelve (6--12) months delinquent--seventy-five percent (75%); and twelve (12) months or more delinquent--one hundred percent (100%). The allowance for loan loss will*

*be increased to meet those percentages by a charge to undivided earnings if the statutory reserve fund, the allowance for loan loss and membership shares are not adequate.*

**(3)]** The scheduling or classifying of delinquent loans shall be on the contract basis. This means that the status of the accounts is determined by comparing the amount of money or the number of full payments received against the amount of money or the number of full payments that should have been made in accordance with the contract (note). Delinquencies of a partial month shall be considered a full month when scheduling or classifying delinquent loans.

**[(4)]** *In the event the required transfer to the allowance for loan loss exceeds the amount of the undivided earnings before dividends, the full amount of undivided earnings shall be transferred and no dividends can be paid.*

**(5)** *Upon written application by the board of directors to the director of credit unions, the director, considering special circumstances, may waive the full maintenance of the twenty-five/seventy-five/one hundred percent (25/75/100%) of delinquent loans minimum capital requirement for a specific period of time. At his/her sole discretion, the director may appoint an allowance for loan loss waiver request review board to make recommendations to the director regarding the merits of any such waiver request. If appointed, the review board would be composed of representatives from the Division of Credit Unions staff, the appropriate share insurer or guarantor, the Missouri Credit Union League and industry management. The previously mentioned notwithstanding, the director shall not be bound to accept the review board's conclusions.*

**(6)] (2)** **Each credit union shall maintain a monthly schedule of delinquent loans which shall list in columnar form the account number, name of borrower, date of loan, date of last payment, original amount of loan and outstanding balance of loan at date of schedule and share balance, together with space to note current action or status.**

**[(7)] (3)** The unpaid balances of loans shall be set apart in columns of the schedule of delinquent loans which will indicate the extent of delinquency as determined by the oldest delinquent installment according to note contract, as follows:

(A) Loans on which the oldest delinquent installment is two (2) months, but less than six (6) months, past due;

(B) Loans on which the oldest delinquent installment is six (6) months, but less than twelve (12) months, past due; and

(C) Loans on which the oldest delinquent installment is past due twelve (12) months or more.

**[(8)] (4)** In determining the oldest delinquent installment, all repayments received are to be considered as applying to installments in the order in which they came due.

**[(9)] (5)** The schedule of delinquent loans ~~[should]~~ **shall** be reviewed by the board of directors ~~[monthly. In the event that it is not reviewed monthly, then it shall be reviewed not less than]~~ **at least** quarterly ~~[by the board]~~.

**[(10)] (6)** Loans listed as twelve (12) months or more delinquent and classified Loss on the most recent state examination and are the same at the next annual examination or supervisory contact (which shall be not less than one hundred fifty (150) days from the day of the previous examination), with no change in circumstances (change in circumstances shall be defined as receiving a minimum of twenty-five percent (25%) of scheduled monthly payments for the period), will be charged to the allowance for loan loss at that time. If the allowance for loan loss is insufficient, sufficient amounts will be charged to the provision for loan loss expense for that requirement. Upon written application by the board of directors, the director of credit unions, considering special circumstances, may waive this requirement.

**[(11)] (7)** The proper control of extension agreements is of considerable significance and is singled out for special attention. Extension agreements, by their very nature, may lend themselves to misuse and should be monitored carefully by the board of directors at least quarterly.

**NOTICE TO SUBMIT COMMENTS:** *Anyone may file a statement in support of or in opposition to this proposed amendment with the Division of Credit Unions, John P. Smith, Director, P.O. Box 1607, Jefferson City, MO 65102. To be considered, comments must be received within thirty days after publication of this notice in the Missouri Register. No public hearing is scheduled.*

## FROM THE DIRECTOR

Our internet site has been redesigned to be more user friendly. The internet site location is <http://www.ecodev.state.mo.us/cu/>. Credit union law, rules, forms, location of credit unions and links to other sites are some of the items available on the site.